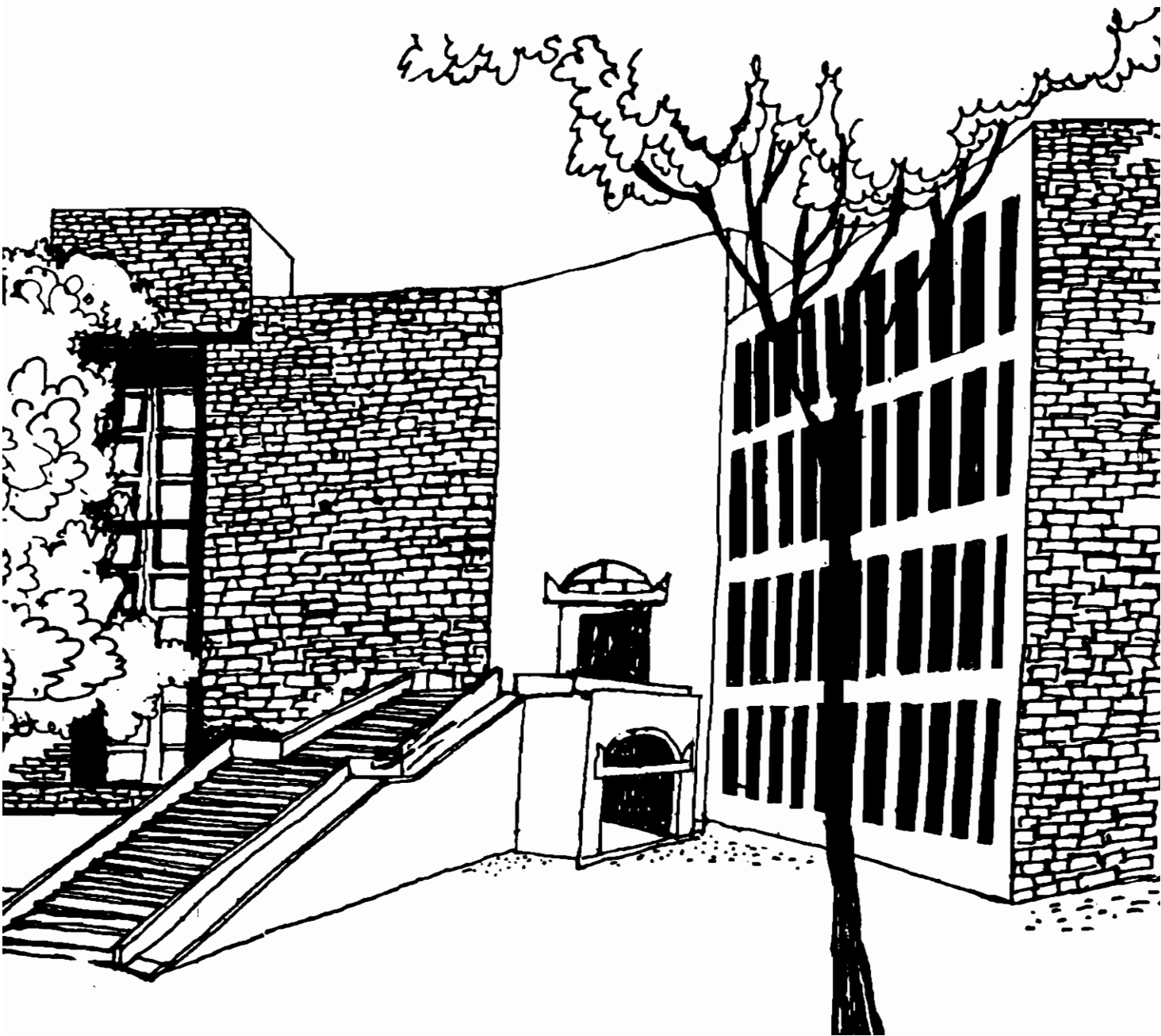




# Working Paper



**Bureaucracies and Economic Reforms:  
Experiences in  
India, China and South Korea**

**Supriya RoyChowdhury**

W.P. No. 1234  
February 1995

The main objective of the working paper series of the IIMA is to help faculty members to test out their research findings at the pre-publication stage.

WP1234



WP  
1995  
(1234)



**Indian Institute of Management  
Ahmedabad 380 015, India**

## **Bureaucracies and Economic Reforms: Experiences in India, China and South Korea**

### **Abstract**

This paper draws mainly upon research in the state of Gujarat focussing both on administrative reform and the bureaucracy's response to a changing economic policy environment in the context of liberalization. For a comparative focus, the paper also draws on material on the Chinese and South Korean bureaucracies in the context of structural adjustment programmes in these countries.

In both India and China higher echelons of the bureaucracy have responded positively and even helped shape liberalization policies; middle and lower rungs of the state services have remained largely ignorant of the economic reforms and have frequently resisted liberalization as a perceived threat to their powers. In both these countries, in varying degrees, the ideological and institutional heritage of a pronouncedly statist model of development have created pockets of resistance within bureaucracies to economic liberalization. On the other hand, the authoritarian nature of the military dictatorship in South Korea has made it relatively easy for the state to push through administrative reforms in the context of structural adjustment.

The material reviewed points to the fact that a comprehensive set of policies notwithstanding, the actual process of economic reform may be obstructed by lack of understanding, opposition -overt or otherwise-, or at least foot dragging, by personnel who remain ultimately responsible for its implementation. The paper draws attention to the centrality of educative programmes, targetted particularly at middle and lower levels of bureaucracies, as an instrument of socializing state officials to a new set of roles in a changing policy context.



## 1. Introduction

From the late 1970s onwards a large number of countries in the developing world shifted course from state-led, import substitution models of development to market-led and private sector oriented strategies of growth. These policy shifts have implied wide ranging and deep changes in the structure of the economy and in the state's relationship to economic agents. Frequently, however, the need to change governmental institutions, structures of bureaucracies and attitudes of officials, in order to respond to the policy shifts has received much less attention than the package of economic reforms itself.

This paper begins (section 1) with a discussion of the role of bureaucracies within the frameworks of shifting developmental paradigms and the different dimensions of reform of bureaucracies in the context of economic liberalization. In section 2, I present material on attempts to change and adapt the bureaucracy to economic liberalization in the context of one Indian state, Gujarat. Gujarat is industrially the second most advanced state in India and successive governments in the state have attempted to evolve bureaucratic institutions specifically to facilitate the private sector's role in industrial growth. Economic liberalization policies, particularly since 1991, have provided a further impetus and a more conducive environment for state support to the private sector in industry. This paper highlights the positive role of a number of governmental agencies in the industrial development of the state; at the same time certain institutional and attitudinal problems inherent in the civil service structures and personnel reinforce and recreate the problems of bureaucratic apathy and obstructions which the programme of economic liberalization was designed primarily to correct.

In section 3 the paper draws on material from China and South Korea, two other Asian countries which have instituted economic liberalization reforms on a fairly wide scale and with remarkable degrees of success. Bureaucracy reform has been undertaken in both these countries to respond to the shifts in economic policies from import substitution, state control and large public sectors to exports, markets and expanding space for the private sector.

These two countries offer some interesting comparisons with India. In terms of political systems, the three countries differ significantly; while India instituted and has continued with a democratic political framework since independence in 1947, South Korea has been continuously under military rule since 1961 up until the late 1980s when a process of democratization began, though very slowly; since 1949 China has been governed by a one-party dictatorship which rules with a highly charged communist ideology. On very different scales, India and China are examples of planned economies with highly statist ideologies moving towards market oriented economic systems; on the other hand, successive governments in Korea have introduced a wide range of state interventionist mechanisms, but these have been perceived more as policy instrumentalities, pragmatically rather than ideologically defined. A significant point of similarity between all three countries is in strong paternalistic traditions of bureaucratic authority. There are therefore significant similarities and differences in the institutional bases from which each of these countries embarked upon structural adjustment.

The major finding of this paper is that across countries, while upper levels of bureaucracies have responded positively, and even shaped economic liberalization programmes, middle and lower ranks have often remained poorly informed about liberalization, have frequently viewed liberalization as a threat to their powers, and have obstructed both bureaucracy reform and liberalization of the economy. The pace of reform obviously depends to a large extent on the nature of the political regime; authoritarian systems, as in South Korea, are able to overrule dissent and institute wider and speedier reforms than is possible in democracies. But in each of these contexts, and particularly in democracies such as in India, or in countries with powerful, highly evolved and pervasive statist philosophies, such as in China, educative programmes, specifically targeted to middle and lower ranks of bureaucracies need to be designed and implemented in order to disseminate the idea of economic liberalization. In

countries with strong traditions of state authority, reinforced by the state-centered developmental paradigms of earlier decades, a theory of state reform and institutional change must necessarily accompany the shift to a market oriented model of development.

## 2. Bureaucracies and development: shifting paradigms

In its classical definition a bureaucracy is an institution responsible for pursuing certain well defined functions in the public realm, and characterized by a set of rational processes by means of which these functions are pursued.<sup>1</sup> As the post world war II era of industrialization opened, bureaucracies almost the world over became synonymous with national developmental goals. In the socialist economies of course governments/bureaucracies were perceived to be the embodiment of the general interest and were vested with enormous control over economic resources supposedly to be able to shape national destinies in the collective interest. In the advanced industrial economies of the west, the decades following the second world war saw unprecedented rates of industrial growth accompanied in most cases by the expanded commitment of governments to social welfare; the welfare state system led to the expansion of bureaucracies in structures and functions as governmental services and numbers of clientele widened.

In the developing world, industrialization and economic development were adopted as key symbols of collective national aspirations; national governments became central agencies for delivering both economic growth and a wide range of welfare services designed to raise many millions of people from deep pockets of poverty into higher living standards. In the context of these goals, as the state, or government, became the focal point of developmental activities, bureaucracies, as the executive arm of governments, came to be regarded as the principal vehicles of the wide ranging changes that were being sought to be brought about by developmental states.

From the 1970s onwards, as is well known, industrial recession set in many of the advanced industrialized countries; from this time, too, a large number of third world states found themselves entangled in serious economic problems ranging from heavy international debts, stagnant growth rates, escalating economic inequalities spilling over into political instabilities. The 1980s saw also the dismantling of communist regimes in Soviet Russia and Eastern Europe.

It was in the context of these international experiences that the role of the state as a generator and sustainer of economic growth and just distribution became challenged; the pendulum swung as markets became the perceived infallible vehicle of growth, and a generalized intellectual and political reaction to the post war model of state-planned and bureaucracy-led growth began to take shape.

As the communist regimes of Soviet Russia and Eastern Europe fell, these countries began significant restructuring of their economies towards private enterprise-based rather than state controlled economic growth. In China the Communist Party itself led the shifts towards the market away from central planning. The bias towards the market was symbolized particularly by the Reagan and Thatcher years in the USA and UK. The 1980s witnessed not only a major privatization drive in the UK but also major shifts away from the statist welfarism that had been launched by successive Labour party governments since World War II. Similarly in the USA three successive Republican terms(1982-94) posed a sustained critique of state-supported welfare and projected the idealization of the market.

In much of the third world, by the end of the 1970s the model of centrally-planned and state-directed economic growth was largely perceived to have failed; the general reversal to markets began to take

---

1 Max Weber, *Theory of Social and Economic Organization*, Chapter 3, New York: Oxford University Press, 1947.

shape in many developing countries in the form of economic policies which set free private enterprise from state control, sought to privatize state enterprises, liberalized trade and opened up hitherto closed economies to foreign investment.

These shifts in developmental thinking have focussed on a critique of the state's inability to generate or sustain desired levels of economic growth. In concrete terms, bureaucracies have frequently come to bear the brunt of this criticism and to symbolize state incapacity; bureaucracies have in fact begun to be looked upon as hindering rather than facilitating the task of development. As political elites have sought to introduce market oriented models of development to replace central planning and state involvement in economic activities, the underlying theme has frequently been to limit the scope of bureaucratic functions.

Frequently, however, underlying the thrust towards economic liberalization, there has been an ambivalence regarding the nature governmental/bureaucratic functioning in the new policy scenario. On the one hand, economic liberalization implies increasing space for the private sector and rolling back governmental involvement; additionally, given the concerns with efficiency and cost cutting, it has meant cutting down of overstaffed governmental departments and public enterprises. On the other hand, new functions have been generated for governments; for example, in a context of industrial restructuring, social security becomes an area of expanding governmental concern; more generally, as the economy shifts from state predominance and governmental monitoring towards greater space for the market, for private enterprise, for foreign investors and international creditors, the state's economic role takes on a different colour in the sphere of providing infrastructure and other supports for the private sector, in handling international loans, regulating foreign investment, directing the process of privatization of state-owned enterprises, and in the general creation and sustenance of a political economic environment where both foreign and domestic capital will be induced to invest. There may actually occur, therefore, a reinforcement of the state's functions and of its presence in the economy<sup>2</sup>.

The bureaucracy's role in the context of economic reforms needs to be conceptualized at different levels. At the first cut of course there is the overall nature of the political regime which determines the ways in which bureaucracies function; is the bureaucracy insulated from political pressure, from pressures that might be mounted by societal groups which are negatively affected by market oriented reforms? The extent to which those in political authority are exposed and vulnerable to societal pressures would determine the bureaucracy's effectiveness in implementing a structural adjustment programme.

Secondly, structural adjustment programmes have increasingly reflected the influence of technocrats upon the policy making process. In a situation of economic crisis, a change in the policy regime frequently emerges from political imperatives, i.e. the impetus to change is fundamentally political; but policy shifts themselves are often shaped by top level bureaucrats who are closely involved in policy making. This process has highlighted the role of technocrats within the bureaucracy; technocrats -policy intellectuals, most often economists- are usually inducted by the government from outside the state to act as architects of new policies. Frequently they are appointed to key advisory positions within the bureaucracy. In this context there may be an emerging differentiation between career bureaucrats who are most often generalists and technocrats whose specialized knowledge, emerging influence within the bureaucracy and closeness to those in political power have generated new power equations within the bureaucratic hierarchy. The position of this new technocracy, their relationship to those in political power and to generalist bureaucrats would determine to a great extent the scope and effectiveness of structural adjustment policies. How does a policy intellectual in the role of advisor

---

2 For elaboration of this theme, see Thomas M. Callaghy, in Joan M Nelson (ed) *Fragile Coalitions; the Politics of Economic Adjustment*, New Brunswick, Transaction Books, 1989.

relate to his official superior, and vice versa? Do such relationships have implications for the scope and speed of reforms? What mechanisms are there for percolating and disseminating the ideas of change-oriented technocrats down the civil service hierarchy?

How do bureaucrats who have been attuned to a statist perspective internalize the new norms of the predominance of the market, rather than the government? What are the responses of the lower bureaucracy accustomed to the functioning of a regulatory state system, to the sudden divestiture of functions and powers?

What administrative reforms take place to give effect to the increasing concern with efficiency, speed, quality service?

What kind of educative programmes are undertaken to sensitize civil servants to the new policies, to instill changes in approach towards clients/the public, and to reorient them to new functions. These themes will be dealt with in the context of the empirical material presented in the following sections.

### *3.1 Administrative reforms in an Indian state: the case of Gujarat*

In India the direction of economic policy in the last decade has been towards the dilution of bureaucratic controls on private industrial undertakings. A fairly wide ranging set of economic liberalization laws have come into being since the middle of the 1980s and particularly since 1991. Such legislation is designed to loosen the controls of government on private enterprise: thus several industries have been delicensed, import restrictions have been lifted, price controls reduced or withdrawn and a generally positive climate has been sought to be created for private entrepreneurs by providing incentives, easy credit, lowered taxes etc.

These policies represent significant changes in the working of the economy and in the state's relationship with economic agents; however, these changes have been unaccompanied by much thinking on the need to change the nature of state institutions themselves in order to respond to the new policy package. Implicit in the policy shifts towards a market oriented economy is the assumption that along with the policy changes the bureaucracy too will change its colour and role.

In India while the broad contours of industrial policy are decided at the level of the central government, to a large extent the scope and pace of implementation is determined by the effectiveness of governments at the state levels. At the level of the states, administrative departments are organized in a pyramidal structure; each administrative department is usually under the ultimate authority of a minister, who is an elected representative in the state legislative assembly, and is the political head of the department. The administrative responsibility of each department is vested in the positions of departmental secretary, joint secretary, deputy secretary; such officials are typically drawn from the IAS (the Indian Administrative Service) The middle and lower ranks in the departments are usually filled by officers, clerks, section officers etc., drawn from the state civil service. This section will examine changes in the structure and attitudes of the bureaucracy in the context of economic liberalization focussing on the state of Gujarat.

The discussion on Gujarat administrative reforms falls into two parts: (1) In order to avoid or minimize the negative fall outs of a market oriented developmental model, such as enclave-like growth, or large scale loss of jobs due to technological upgradation/industrial restructuring, the state needs to reorient or reinforce its activities towards greater commitment to overall development, provision of infrastructural supports, social security etc. It is in this context that governments may need to reform their finances and organizational structures in order to be able to command the resources which will facilitate this role. In this context the paper examines the recommendations of the Eighth Finance Commission with regard to Administrative Reforms and underlines that while a start has been made.



much more needs to be done on the lines recommended by the Commission. (2) Economic liberalization raises the question of reorienting the government's approach to private business from regulation and control to that of providing positive supports, inviting investments, easing bottlenecks and evolving facilities, both in the domestic and international environment whereby private business can function effectively. In this specific context this paper looks at the agencies, institutions and mechanisms devised by the government of Gujarat to facilitate the private sector in industry.

### 3.2 *Gujarat: The context for administrative reforms*

In Gujarat the need for administrative reforms is highlighted by certain emerging contradictions in the political economy over the last decade. Gujarat is now the second most industrialized state in the country and industrial investment has shown significant expansion. On the other hand, there have emerged large pockets of poverty, urban unemployment has increased, and public spending in social sectors like health and education has declined.

The state government's finances have been steadily deteriorating over the past few years. The total government expenditure, both revenue and capital, has been exceeding the revenue receipts, resulting in an increasing fiscal deficit. The fiscal deficit of the Gujarat government increased from Rs. 246.78 crores in 1980-81 to Rs. 1875.71 crores in 1991-92 and Rs. 1173.66 crores in 1992-93. What lies at the root of this fiscal imbalance is the acceleration in the growth of non-plan expenditure. Non Plan Revenue Expenditure (NPRE) as percentage of total expenditure has increased sharply from 47.63% in 1980-81 to 65.13% in 1993-94.<sup>3</sup>

This rise in the non-plan expenditure is accounted for mainly by the growth in expenditure on establishment and the growing burden of debt servicing. In Gujarat, administrative expenditure as percentage of total revenue grew from 13.96% in 1984-85 to 16.03% in 1989-90. During the 1980s revenue expenditure rose by 3.1 times while the spending on salaries and administration, which is a component of the total revenue expenditure, went up by 3.5 times. The revenue receipts rose by only 2.5 times. These trends have led to a severe resource crunch with regard to finding finances for Plan schemes. The expenditure on the state's Annual Plan as a percentage of total expenditure has declined steadily from 35.6% in 1980-81 to 24.71% in 1993-94<sup>4</sup>.

In the light of these facts, the Eighth Finance Commission stated " a desirable goal would be to restrict the rate of growth of NPRE below that of the growth rate for total revenues and to gradually bring down NPRE as a percentage of revenue expenditure...." Further, " a two pronged strategy should be adopted to achieve this objective. On the one hand, a time-bound comprehensive programme of administrative reforms should be undertaken at all levels of government in order to streamline procedures and improve productivity. The other part of the strategy should be aimed at reducing the number of government employees by hiving off organizations and activities which are no longer relevant to the basic objectives of the Government or have become totally redundant in the present environment"<sup>5</sup>.

### 3.3 *Reducing the role of the government*

Administrative reforms have not occurred importantly on the agenda of governments in Gujarat. The Administrative Reforms Commission, which was set up in 1966 had very little impact on state

---

3 Report of the Gujarat State Finances Commission, Government of Gujarat, April, 1994.

4 *ibid.*

5 *ibid.*

governments. In Gujarat, the High Level Administrative Reforms Committee under the chairmanship of Shri G.C. Baveja, 1985, and the Administrative Reforms Committee on Public Oriented Administration under the Chairmanship of Shri Jaswant Mehta, 1987, mainly addressed the question of appropriate mechanisms for redressal of public grievances. The question of any comprehensive review of basic organizational structure of government was not addressed.

The Eighth Finance Commission considered that this issue required a fresh appraisal in the context of the policy changes relating to economic liberalization that had been introduced since July 1991. The commission recommended abbreviating the process of decision making by compressing the existing multi layer decision making into a maximum of three level structure of decision making: desk officer, deputy/joint secretary, secretary. Decisions without any major policy implications should be taken maximum at the third level from the level where the proposal originates. Issues with policy implications which are to be decided at the level of the Chief Minister/Cabinet should be handled only at the level of Deputy Secretary and above. Decentralization of decision making was an important theme. The Commission stressed that government must consciously reduce its dependence on non technical clerical cadres at all levels and must abolish the orderly and peon culture. The Commission strongly recommended the streamlining of administrative procedures with a view to reducing surplus manpower in government departments.

The total number of sanctioned posts in the various departments of the government of Gujarat declined from 271751 in 1986 to 245794 in 1992; the total number of employees working declined from 234990 in 1986 to 207761 in 1992. This decline in the total number of employees of the Government of Gujarat demonstrates that the restrictions imposed on the creation of new posts and filling up of vacancies are being fairly strictly implemented since 1992<sup>6</sup>.

In enquiries over various departments it appeared that while new posts had not been created and vacant posts had not been filled, very little attempt had been made to reduce manpower which was perceived to be surplus both because governmental functions had been redefined and in the context of the new perception that flabby organizations had to be cut down. A Voluntary Retirement Scheme has been in force for some time. Under this scheme an employee who has put in a minimum of 20 years of service can opt for voluntary retirement with full pension and other benefits with a weightage of 5 years. However this scheme seems to have attracted a minuscule percentage of government employees in various departments.

#### 3.4 *The bureaucracy-industry interface*

Gujarat has witnessed a fairly significant scale of industrial development since its inception in 1960. While in the early years it was known mainly for its textile industry, its industrial growth now spans a wide range of manufacturing, and it has climbed from the eighth to the second position in terms of states' ranking in industrial development. The state manufactures 100% of the country's caprolactum, 91.5% of soda ash, 90% of azo dyes, 69% of salt, 56% of vat dyes. The belt between Vapi and Baroda is covered with pharmaceuticals, chemical and petro chemical industries.

What has spurred this growth is a combination of factors. The native business acumen of the entrepreneurial sections of the Gujaratis has played a vital role. Successive governments in the state have pushed ahead aggressively with industrialization, spurred largely by a sense of competition with neighbouring Maharashtra. What has importantly characterized the industrial policy regime of each government has been a positive and supportive approach to private business. This approach has

---

6 *ibid.*

underlined the setting up and increasing role of a number of government agencies designed specifically for the purpose of providing assistance to industrial entrepreneurs on a wide range of services.

The Gujarat Industrial Development Corporation (GIDC) provides land with ready built sheds and other infrastructural facilities in its industrial estates; Gujarat Industrial Investment Corporation (GIIC) and Gujarat State Finance Corporation (GSFC) provide financial assistance for setting up new industries and Gujarat Small Industries (GSIC) supplies raw materials and machinery on easy terms to small industries and also helps them in marketing their products. Coordinating the activities of the industrial and financial corporations is the Industrial Extension Bureau which also has a separate cell for helping Non Resident Indians.

The GIIC assists the setting up of medium and large industrial units; it also works as a catalyst to promote new ventures both alone and in the joint sector. As a financier or development banker, it has so far sanctioned over Rs. 800 crores as assistance to more than 3300 units. The assistance sanctioned has helped to generate additional investment worth almost Rs. 3,000 crores in the state. In the joint sector the GIIC, besides financial support, through equity participation, provides technical and managerial inputs for the quick implementation of projects. After the projects go into commercial production and their operation is stabilized, the corporation withdraws its equity so as to invest it in new ventures. Forty three of its sponsored projects, entailing an investment of Rs. 1654 crores, have already gone into production. In these 43 projects, GIIC has contributed an equity of about Rs. 85 crores<sup>7</sup>.

The Gujarat Small Industries Corporation (GSIC), formed in 1962, has been mainly responsible for providing raw materials, and guidance to small scale units for purchase of quality machine tools, import of raw materials, general marketing etc.

On the infrastructure front, the GIDC has developed 186 industrial estates throughout the state. As on September 1991, the Corporation had allotted 705 lakhs sq. meters of plots and about 11313 sheds. The GIDC provides a package of infrastructural facilities like water supply, drainage, power, schools, post offices, banks, fire station etc. at these estates. The Corporation has constructed 10200 houses in these estates for workers<sup>8</sup>.

The Industrial Extension Bureau offers services of a somewhat unique kind to private entrepreneurs. One of the central functions of the Bureau is to act as a single point contact between the entrepreneur who is about to set up a project and the various agencies that he is required to deal with. Thus once a project is on, officers of the Bureau help the entrepreneur with information regarding various formalities, forms to be filled, sources of finance, managerial, technical and professional inputs. It is common practice for a Bureau official to accompany an entrepreneur through his various dealings with the bureaucracy in order to clear a project, get finances etc. The underlying idea behind such supports is to ease bottlenecks, speed up the initial work on the project, and to facilitate contact between the bureaucracy and the entrepreneur. Additionally, the Bureau has a special NRI cell for assisting and encouraging NRI investment. The Bureau also has an active publicity cell and produces pamphlets on Gujarat's industrial facilities in order to attract investment from outside.

While the above account outlines the major governmental agencies responsible for steering the industrial development of the state, the following account provides a more detailed presentation of the

---

7 *Economic Times*, February 18, 1992, "GIDC: Prime Time Progress".

8 *ibid.*

functioning of the GIDC and examines the interface of this agency with private entrepreneurs<sup>9</sup>. The GIDC, it has been mentioned above, is responsible for providing land, sheds and basic infrastructural facilities like water, power, etc. to enterprises. In the industrial map of Gujarat, the southern part of the state has shown dramatic development. The 30 GIDC estates in the three districts of South Gujarat-Bharuch, Surat and Valsad have in fact led the industrial development of this region. The entire network of estates in this region is controlled by the Divisional Manager's office at Surat. The South Gujarat division has been divided into three regions, i.e. Ankleshwar, Surat and Vapi. All three regions are headed by Regional Managers.

An industrialist gets a ready plot of land, shed, and in principle, power, water, a network of roads and telecommunication facilities, banks, postal services etc. Interviews with a cross section of entrepreneurs (mainly office bearers of various industry associations in the region) revealed that at micro levels entrepreneurs continue to face a whole range of problems which delay or obstruct the implementation of their projects<sup>10</sup>.

A common set of problems related to power, water, telecommunications, transfer of land, and bureaucratic attitudes towards entrepreneurs. Many entrepreneurs traced the problem to the fact that at the grass roots level government officers were not sensitive to the needs of industry in terms of time and cost. A frequently mentioned issue was the need to decentralize power so that decisions can be quickly taken, at the field level. Many reported that GIDC officials maintained an attitude of the powerful patron towards entrepreneurs and saw themselves in a position of being able to grant favours, in terms of quickness of service, for example.

These obstructions can be traced to two factors. In the first place, several laws remain in force which allow government officials to play a hindering role in industrial development. In recent years much has been said about the inspector raj replacing the license permit raj. One significant area in which the role of the inspector continues to generate enormous delays in industry operations is the Boilers Act. The Chief Inspector of Steam Boiler, Ahmedabad, is directly under the administrative control of the labour Commissioner, Ahmedabad. Under the Chief Inspector, the Inspectors work mainly at Surat, Ahmedabad, Rajkot and Baroda. The function of these inspectors is mainly to implement the Indian Boiler Rules, 1950, and the Gujarat Boiler Rules, 1966. A frequently voiced complaint amongst entrepreneurs seemed to be that while these laws have remained unchanged, boiler technology has moved ahead, with the result that there is very little meaningfulness in the activities of boiler inspectors. There have been frequent demands for a system of self certification, or third party certification, but the framework of boiler inspection has remained unchanged.

The use of land as an industrial resource remains another important sphere of bureaucratic control and delays. In accordance with state land rules, the transformation of agricultural land into industrial land can take place only under governmental auspices; in other words, the farmer cannot readily sell his land to an industrial entrepreneur seeking a site for his factory. A great many delays and obstructions are caused by the lengthy process of obtaining land sanctions; this process, again, tends to reproduce the power of the government official and places him in a position where he can hold up the private entrepreneur, demand bribes etc.

---

9 *ibid.*

10 This section draws on interviews conducted with IAS officers in the various concerned departments of the Gujarat Government, with officers at the District Industries Offices, office bearers of various industry associations in the Ahmedabad area.

The second important factor that this study revealed was the attitude of the bureaucracy towards industrial entrepreneurs. In Gujarat governmental support to private business has been a predominant theme in the state's industrialization thrust long before the era of economic liberalization. As mentioned above, successive governments have acted as catalysts to this phenomenon; the bureaucracy has acted as a strong supportive agency in the industrialization agenda. What economic liberalization has in fact done is to reinforce the ideology of state support for entrepreneurial activities. The network of governmental agencies, outlined above, are headed by senior level IAS officers. These bureaucrats perceive themselves as providing crucial supports and inputs necessary for the industrial development of the state. What drives their basic approach to their work is the firm conviction that the state needs to support rather than directly undertake industrial activity. There is also a fairly high level of awareness amongst these civil servants about the overall framework of economic policy changes that have been introduced through the liberalization package; and there is a clear perception of the changing role of the government and of themselves as bureaucrats in the context of the policy shifts. Many senior IAS officers conveyed the sense that they operated with a very positive approach towards private business. It seemed that in their perception what economic liberalization had brought about was a reversal in the roles of the bureaucrat and the entrepreneur. While earlier the entrepreneur had to woo the government official for permits, licenses and what-have-you, in the present scenario government officers were increasingly impelled by the need to go out and seek business.

Senior government officials did not convey a sense that through liberalization they had undergone a divestiture of power. Many in fact said that the definition of state or bureaucratic power had been changed, from that of a negative sense of controls and regulations to a positive sense of helping and supporting industry. Several conveyed a sense of excitement with the new policy regime and in fact saw themselves as playing key roles in supporting the industrial development of the state.

This impression was entirely lost as one went down the bureaucratic hierarchy. From the collector to the inspector, to the personnel actually engaged in the work of implementing a power connection or a water connection, there seemed to be an astonishingly low level of awareness of the changed policy scenario and the positive and supportive role that these officials need to play with regard to private entrepreneurs. In fact very few of middle and lower level officials, drawn from the state civil services, actually had any information about economic liberalization. Several of these officials, in as important positions as, say, that of the Managing Director of a District Industries Centre, conveyed an attitude of suspicion and mistrust towards private entrepreneurs; they stated clearly the importance of their positions as regulators and watchmen over private business. In this they saw themselves as representing in some ways the interests of the people, of the collective, as opposed to the particularistic interests of businessmen. Here, clearly, one saw the continuation of the themes of state control and predominance which had underlined the economic policy regime of the first three decades of independence and which economic liberalization has attempted to undo. The work ideology of a large cross section of middle and lower level government officials appeared tuned to a highly state-centered philosophy.

There seemed to be two factors that accounted for this rift between the higher and lower bureaucracies. In the first place, IAS officers are frequently much closer to the policy making process than lower level officers. Senior officers are in frequent contact with ministers; they participate also in such activities as meetings with representatives from international agencies, with representatives of business associations, where concepts of globalization, free market, are dominant themes.

Secondly, a large number of training programmes are conducted for IAS officers to sensitize them to the changing policy scenario. The Training Division of the Ministry of Personnel in the central government is responsible for organizing and sponsoring these training programmes. Such programmes are conducted by premier training institutes in the country and focus particularly on economic policy

changes. The exposure of IAS officers, then, both in their work situation and through consciously designed training programmes to the new economic reforms, is fairly high.

Ironically, the contrary is true of lower level bureaucrats. Their every day work situations have changed, calling for a more positive approach to the entrepreneur, the need for speed and quality service, and an orientation to service rather than to the petty exercise of patronage; yet there is relatively little, in the every day universe of an inspector, for example, to sensitize him to the new policy context or to the fact that he needs to change his role and perform new functions.

The most striking gap here seemed to be in the area of any conscious effort to impart information and training regarding the new economic reforms. In Gujarat the Sardar Patel Institute of Public Administration located at Ahmedabad is responsible for designing and conducting training programmes for state level bureaucrats. This institute is headed by an IAS officer and is administered by the General Administration Department of the Government of Gujarat. The Compendium of Training Programmes for 1994-95 reveals that training programmes are held for state level civil servants on a wide variety of subjects, from rural development to computer training, role of cottage industries, disaster management, environmental management etc. However, in the contents of as many as 96 courses scheduled for 1994-95, the phrase "economic reforms" does not occur even once. Thus not any of the programmes designed for state level government personnel would contain even a marginal reference to the fact that economic liberalization is under way. The faculty at the Institute acknowledged that this was a serious gap in the training programmes that they were conducting ; but it did not seem that they had formulated plans for correcting this situation.

The analysis presented above shows in a microcosm the multiple contradictions that might beset a bureaucracy in the context of structural adjustment. While industrial development in Gujarat has been fairly rapid, relatively little has been done by way of implementation of administrative reforms that would enable the government to cut down surplus manpower in various departments, restructure functions for greater efficiency and to cut establishment costs, thereby releasing resources for investment into plan schemes.

Secondly, Gujarat offers perhaps the best example of a bureaucracy committed to industrial development by providing a strong structure of supports for the private sector; it appeared that IAS officers truly saw themselves as a team committed to the concept of industrial development by supporting the private sector. On the other hand, field level examinations revealed that entrepreneurs are frequently delayed and frustrated by bureaucratic red tape, by unsympathetic and unhelpful officers, and by the continuation of rules that hinder rather than facilitate the process of getting on with a project. This impression was corroborated by the fact that middle and lower level officers hardly have any exposure to the concept of liberalization and the need to change their attitudes and mode of functioning vis a vis private entrepreneurs.

#### **4. Economic liberalization and administrative reforms: China**

In what ways have other reforming countries dealt with the question of administrative reform as a response to economic liberalization? In China the Communist revolution of 1949 led to the foundation of the Communist state in 1949 and the creation of a fully state-owned economic system both in industry and in agriculture. This system was led over three decades by the Party and governmental bureaucracy. Since 1976 the socialist economy of China has been significantly changed as market principles have been sought to be introduced in both industry and agriculture, privatization has been attempted and fairly large amounts of foreign investment have been brought in. China's measures of economic liberalization granted greater autonomy to factory managers, created a market in the distribution of both agricultural and industrial commodities, decollectivized agricultural production, and allowed greater room for individual entrepreneurship.



While a detailed discussion of Chinese economic reforms is beyond the scope of this paper, it should be noted that the course of Chinese liberalization has not been unbroken or unilateral. Particularly at two stages, liberalization policies led to over heating of the economy, as investments rose beyond government targets, imports exceeded exports, the trade deficit increased, prices soared and government revenues decreased. Between 1981-83 and again between 1985-86, the Chinese leadership held back on liberalizing reforms and introduced instead periods of consolidation whereby import controls were tightened, rate of investment slashed, the growth of money supply slowed, and production quotas were reduced, in an effort to cool the economy<sup>11</sup>. Since 1986 the reform effort has gained momentum once more and has been sustained; the broader trend has been towards the diversification of the economy, greater autonomy for producers, a larger role for the market, and professional management of enterprises. The sustained nature of Chinese reforms reflects a larger consensus amongst Chinese leaders of the need for reform, and highlights in particular, the strategic role played by premier Deng Xiao Ping in pushing the reform agenda.

Since 1978, when the economic reforms began, the Chinese leadership has tried to introduce reforms both in the party and in the governmental bureaucracy. The following account will focus mainly on civil service reforms and will attempt to highlight not only the changes that have been brought in but also the institutional factors that have prevented any dramatic shifts in the structure and culture of the Chinese bureaucracy.

The bureaucracy in China is one of the largest in the world and is almost two thousand years old. The pre modern Chinese state had a highly developed bureaucratic structure characterized by an elaborate set of rules and regulations governing its functions, recruitment, official responsibilities, promotion, ranking and discipline. The official ideology of late imperial China, Confucianism, underlined the Chinese bureaucracy's functioning for many centuries. Officials were selected on the basis of their knowledge of Confucianism and a large part of their duties was to rule according to the official moral doctrine and to disseminate it amongst ordinary citizens.

The legacy of a large bureaucracy and of a strong orientation to an official ideology provided the structural basis for the creation of the modern Chinese state under the Communist Party's rule. The ideology of Marxism-Leninism provided not only the guiding principle of social and economic organization, but also the moral philosophy that was to govern the behaviour of government officials. After the formation of the communist state, the Party took upon itself many of the administrative functions that had previously been the responsibilities of state officials. Thus the line between the party bureaucracy and the civil service or state bureaucracy was almost obliterated as Party Secretaries at all levels replaced government officials and enterprise managers.

By the 1960s and 1970s as the economic problems of Communist China intensified and surfaced in political and intellectual debates in the country, a number of dysfunctional aspects of the bureaucracy too became part of the generalized disillusionment with the existing political economic system<sup>12</sup>. A central problem that pervaded the Chinese bureaucracy was the age profile of senior officials; many of them had been active in the communist movement and had joined the bureaucracy after the formation of the communist state in 1949 when they were already in their 40s and 50s. By the decade of the 1960s and 1970s without any regular procedure of retirement, most top national and provincial leaders were in their sixties and few prefectural and municipal leaders were under forty five.

---

11 Harry Harding, *China's Second Revolution, Reform After Mao*, Chapter 4, Washington D.C. Brookings Institution, 1987.

12 The material on bureaucracy reforms in China draws on Harding, *op cit.* pp 204-11, and George Rosen, *Contrasting Styles of Industrial Reform: China and India in the 1980s*, p 121. Chicago: Chicago University Press, 1992.

Additionally, recruitment to the bureaucracy had frequently been on the basis of commitment to ideology rather than technical or professional skills; indeed, Mao's disdain for technical expertise and intellectualism had left a strong imprint on the character of the bureaucracy which was marked by low level of education of officials, and lack of professional and technical expertise.

The reform of the Chinese bureaucracy began as early as 1979 with a concerted effort to replace older, less educated and conservative cadres with younger cadres, possessing some degree of educational qualifications, and with demonstrated commitment to the new ideology of reforms. One of the principal instruments adopted was a policy of mandatory retirement for senior government officials with adequate pension and compensation. The net effect of these reforms has been a lowering of the average age of Chinese officials and an increase in the percentage of officials with formal educational qualifications, such as a college degree. With regard to the civil service, the thrust of the reforms has been to fix retirement ages, to create fixed terms and regular rotations in order to prevent concentration of administrative power, and to provide clear definitions of official tasks to avoid inefficiencies and abuse of power by officials. A more stringent method of evaluation of performance was also adopted.

While these reforms have done some good, in many ways the Chinese bureaucracy has successfully resisted reforming itself. In the first place, cutting the size of the bureaucracy, which had been one of Deng Xiao Ping's stated intentions, has proved difficult. On this count there was an initial record of success. Thus it was announced in 1982 that the number of vice ministers had been cut by 80% the number of directors and deputy directors of central government bureaus by 50% and the central Party staff by 17%. Comparable cuts were also made in bureaucratic agencies. The number of central ministries was reduced from 52 to 43, the total number of central government agencies cut from 100 to 61 and the number of provincial bureaucratic offices trimmed by 30 to 40%. But these positive achievements had only very short term impact as certain counter tendencies began to surface: it became evident by the late 1980s that by hiring "temporary", or "supplementary" staff on account of pressure of work, the bureaucracy had begun to recreate for itself similar staffing levels as had existed before the drive for reform. Similarly, the efforts to institute personnel management reforms such as fixed tenures, retirement age etc. have been isolated and no comprehensive legislation has come about underlining these principles. Resistance within the bureaucracy to the threat of being deprived of their security of tenure has prevented both comprehensive reform and any significant cutting down of numbers of personnel.

The resistance of the Chinese bureaucracy to change is possibly most obvious in the area of enterprise management reform. The post-Mao economic reforms have given managers greater freedom over financial resources, employee dismissals and enterprises profitability. However, both Party and state bureaucracies have been loth to surrender their controls over state enterprises. In many cases, government agencies at the local and municipal levels have unofficially retained their control over state enterprises. Some state industrial bureaus have used their control over raw materials to exercise power over enterprise managers. Party committees at the local levels too have continued to exercise control over managers. There is in fact a great deal of bitterness and frustration amongst enterprise managers with the lack of actual implementation of the deregulation of state enterprises.

These facts are corroborated by the general impression among China scholars that economic reforms have not found a great deal of support within Chinese bureaucratic institutions, particularly in the lower bureaucracy.<sup>13</sup> Many bureaucratic institutions have in fact tacitly, if not openly, opposed the reforms and supported a conservative stance primarily because they perceived the reforms as heralding

---

13 David Bachman, *State Structure and Recurring Patterns of Change in China* (mimeo, Princeton University, November 1982), and "Leaps and Retreats in the Chinese Political Economy, (mimeo, Princeton University, February, 1984).



the end of their power and prestige. The Ministry of Heavy Industries for example, had benefitted enormously from the priority assigned to that sector under the Stalinist model of growth; it clearly sees itself as under attack in the new policy framework which stresses the importance of consumer goods, light industries, and foreign investment. The state planning apparatus similarly has resented and resisted the loss of power as central planning has given way to greater space for the market.

To sum up, the reform of the Chinese bureaucracy appears to have been consciously planned and attempted particularly in the areas of cutting manpower, creating greater accountability and preventing concentration of power. However, in several spheres of bureaucratic functioning there remained crucial gaps in the implementation of reform. Bureaucracies appear successfully to have recreated numbers where jobs had been cut; in the realm of enterprise management, government and party bureaucracies seem to have continued to exercise control over enterprise managers even when in principle such control had been removed.

Finally, economic reform continues to be perceived as a threat of loss of power by government departments and party agencies; to that extent the process of reform remains subject to criticism, overt or otherwise, opposition, or at least foot dragging by personnel who are ultimately responsible for its implementation.

## 5. South Korea

South Korean economic reforms can be best seen in the context of two major shifts in Korea's developmental model; the first occurred in the early 1960s when following a military coup, under President Park the economic policy regime made a major shift from an import substitution model of industrialization to an export based strategy of growth. The policy shifts represented a set of liberalizing measures combined with several regulatory laws which clearly gave the state a defined area of control over the economy. Thus devaluation and tariff-free imports for use in all export production were the centre pieces of the liberalization policies. At the same time, the government sought to monitor the economy through the following measures: export targets were set; all commercial banks were nationalized; the government introduced a system of official guarantees for foreign loans which extended the government's control over long term foreign loans. The number of public sector enterprises increased nearly threefold from 36 to 108 over 1960-72. Their share in GDP also increased from 6.98% to 9.07% over 1963-72. Short term price controls were another instrument of control exercised by the government over the economy. Over the next ten years Korea's growth rate accelerated to 9.5% (in the previous decade Korea had recorded an average annual growth rate in GDP of 4.5) accompanied by significant change in its output structure. The share of industry in GDP climbed from 17.1% to 35.2% and that of agriculture declined from 45.2% to 29.5%. The share of exports in GDP went up from 3.1% to 17.6%<sup>14</sup>.

These dramatic growth rates, however, were not sustained in the 1970s. The oil shock of the early 1970s led to slowed growth and macro economic instability in the European and North American economies, the NICs' major markets; additionally, by the early 1970s, technological breakthroughs, tightening labour markets and rising real wages signalled a gradual shift in the comparative advantage of the NICs in the export market away from low labour costs.<sup>15</sup> In Korea serious economic problems emerged in the 1970s: a growing reliance on external borrowing, weakening financial structures among

---

14 M. Shahid Alam, *Governments and Markets in Economic Development Strategies: Lessons from Korea, Taiwan and Japan*, New York: Praeger, 1989, chapter 2.

15 Stephen Haggard, *Pathways from the Periphery: the Politics of Growth in Newly Industrializing Countries*, Ithaca and London: Cornell University Press, 1990, pp 126-133.

leading firms, and balance of payments difficulties associated with an expansionist macro economic policy. A new generation of technocrats critiqued the existing system and called for an economic model with significantly less state intervention<sup>16</sup>.

The second major shift in Korea's economic policies began when the Heavy and Chemical Industry Plan (HCIP) was promulgated in early 1973. It was designed to usher in an era of import substitution in machinery, chemicals and transport equipment. While the state participated directly in petrochemicals and steel, in the electronics and machinery sectors industrial estates were built to house private sector ventures. Continuing the thrust in economic reforms, the Comprehensive Measures for Economic Stabilization (CMES) was enacted in April 1979 primarily to curb rising inflation. But rising prices as also the stabilization measures triggered off popular discontent and opposition to the Park government. General Park was assassinated in late 1979; but the government of Chun Doo Huan which came to power in 1980 continued with the stabilization policies. It sought to reduce incentives and subsidies, to scale back new investments; wages, promotions and hiring were frozen; and severe restrictions were placed on trade union activities<sup>17</sup>. These measures showed results in economic terms as the average annual growth rate of GDP reverted back in the decade of the 1980s to 9.4%.

It is now generally agreed that Korea's remarkable economic successes were achieved not through the application of pure free market principles but through a judicious and highly effective combination of market forces with state control<sup>18</sup>. While adopting the right or appropriate economic policies was certainly central in this development, the present focus is on the nature of governmental institutions which contributed to Korea's economic growth.

In the two stages of Korea's developmental history outlined above-the export oriented growth strategy of the 1960s and the heavy industries and stabilization oriented policies of the late 1970s onwards-the government played somewhat different but continuous roles. The shift to an export oriented model of growth in the early 1960s was accompanied by a wide range of state interventionist mechanisms. At this stage a number of state institutions and practices were evolved which played a central role in the initiation, implementation and coordination of economic policies. In the early 1960s General Park created the Economic Planning Board whose head was elevated to the rank of the deputy prime minister in 1963. The EPB functioned to create and monitor long term economic developmental plans. While its traditional powers were planning and budgeting, over the years the EPB has gained formal authority to coordinate a wide range of economic policies. Other economic ministries were required to have prior consultation with the EPB head when they wanted to initiate major policy proposals.

What were the factors that enabled Korean governmental institutions to intervene effectively in the economy? What distinguishes the Korean bureaucracy from other developing country bureaucracies which have been less successful?

Successive presidents have sought to insulate the economic bureaucracy, particularly the EPB, from broader societal pressures. This relative autonomy has supposedly given the EPB a perspective broader in scope than that of other ministries which possibly represent more parochial interests. This image has reinforced the EPB's formal authority over other ministries. Secondly, a considerable influx of military personnel into the civil service possibly added to the bureaucracy's developmental outlook and a disciplined, managerial and professional approach. Additionally, government institutions and

---

16 *ibid.*

17 *ibid.*

18 See, for example, Alam *op cit.*; see also Haggard, *op.cit.*(ch 6).

practices were consciously designed to balance state control with the development of the private sector as the central engine of growth. Frequently, therefore, the private sector was encouraged to provide feedback and advise on relevant policies. An important forum for such exchanges, for example, was the Monthly Export Promotion meeting. According to General Park, "the economic planning or long range development program must not be allowed to stifle creativity or spontaneity of private enterprise. The overall national development program may necessitate, for rational operation of the economy, reluctantly imposed administrative control over the regional allocation of various industries and planning for investment"<sup>19</sup>. This philosophy helped create a bureaucracy which was tuned to playing a central role in economic development while at the same time facilitating the growth of market forces and of private enterprise.

The second significant landmark in Korea's economic development began in the late 1970s with the push towards heavy industries and the stabilization policies. Following the thrust towards stabilization, the question of reorienting the role of government has featured importantly both in political and in academic thinking. The gradual democratization of Korean politics too has influenced public thinking on the need to reshape government institutions on less centralized lines, delegating more control to local authorities and popularly constituted bodies. There has been an increasing awareness that the bureaucratic institutions which served the growth strategy of the 1960s was no longer appropriate in the context of the stabilization policies that had been introduced in the 1980s and 1990s. Some efforts have been made to reduce the number of government agencies and the economic role of the government. In particular, there have been efforts to decentralize its decision making power to local government and administrative agencies and to privatize the public sector towards more private initiative and free market mechanisms. During 1970-84, 2,513 administrative matters were delegated from central government to local governmental level; and 360 governmental authorities were also released to the private sector. In 1985, 90 central government matters were delegated to local authorities and 16 governmental authorities were privatized to civilian institutions<sup>20</sup>.

A critical factor in the bureaucracy's effectiveness has clearly stemmed from the authoritarian nature of the Korean government which enables it to push through unpopular or unpalatable administrative reforms. During the stabilization drive, for example, a wage freeze was imposed on public sector employees, promotions were delayed, positions down graded and hiring was frozen. Under the guise of a "social purification" campaign a large number of government employees were purged outright<sup>21</sup>.

It is important to note that the Korean stabilization drive had drawn considerable opposition, not only from business sectors (which resented enlarged state investments in the heavy industries negatively affecting subsidies and incentives so long provided to export oriented light manufacturing industries), and farmers (opposed to the withdrawal of agricultural subsidies), but also from civil servants threatened by the drive to cut government jobs. The implementation of CMES, masterminded by the EPB, focussed on disseminating the logic of stabilization amongst all ranks of the bureaucracy and on coordinating bureaucratic activity around CMES. The EPB devised public information, education and communication (IEC) programmes to reinforce the new policy. These programmes were targeted at

---

19 Quoted in Bun Woong Kim, "An Assessment of Government Intervention in Korean Economic Development" p139, in Gerald Caiden and Bun Woong Kim (eds) *A Dragon's Progress*, Connecticut: Kumarian Press, 1991.

20 *ibid.* p 140.

21 Haggard, *op cit.* p 134.

government officials at all levels, and was used not only to disseminate information but also to create consensus around the programme<sup>22</sup>.

The authoritarian nature of the Korean political system, particularly since the military coup of 1961 has reinforced the power of the bureaucracy. The concentration of decision making and implementation powers has allowed the bureaucracy speed and flexibility in governance and in pushing through economic reforms; the absence of democratic institutions has insulated them from political pressures from societal groups.

## 6. Conclusion

This paper has explored some material on India, China and South Korea to highlight shifts in structures and attitudes of bureaucracies in the context of structural adjustment/economic liberalization programmes. As these programmes have begun in many developing countries, a large part of the debate has focussed on a critique of bureaucracies as underlining the perceived failures of governments to lead development. Policy prescriptions have frequently emphasized the need to do away with bureaucracies.

Much of structural adjustment in the third world has drawn from the experience, both historical and contemporary, of western industrial societies. This experience is frequently cited in order to highlight the importance of the market and the minimal role of the state. However, it is important to remember that much recent literature in economic history has underlined that the growth of industrial capitalism in western Europe came about not merely through private activities, but through the forces of powerful bureaucratic states in combination with emerging markets<sup>23</sup>.

Similarly, there have been attempts to portray the success of the East Asian economies as illustrating the usefulness of the marginal role of the state. Recent studies of South Korea have shown, on the contrary, that state intervention in markets, as also significant state participation in the economy, was central in South Korea's development, and particularly highlighted during its phases of structural adjustment.<sup>24</sup>

This history, then, highlights the positive role played by governments in economic development; the state's role in the period of structural adjustment in developing countries needs to be placed in the perspective of this history rather than focus exclusively on the hated babu of the liberalizer's hysteria. The question then is not much to reduce or eliminate the state as to redefine and restructure it to enable it to play a positive role in structural adjustment.

The foregoing analysis reveals that as state leaders have attempted to change the nature of governmental institutions in order to respond to the needs of structural adjustment, a number of factors have played critical roles in this process. The nature of the political regime- the degree of

---

22 In Joung Whang, "Government Direction of the Korean Economy", in Caiden and Kim, *op cit.* p 93; also Whang, "Economic Management for Structural Adjustment in the 1980s", (p 315-320) in Vittorio Corbo and Sang-Mok Suh (eds) *Structural Adjustment in a Newly Industrialized Country: the Korean Experience*, World Bank, 1992.

23 For two classic statements of this position, see Alexander Gerschenkron, *Economic Backwardness in Historical Perspective*, Cambridge, MA: Harvard University Press, 1962; Albert Hirschman, *The Strategy of Economic Development*, New Haven, Conn: Yale University Press, 1958.

24 See particularly Alam, *op cit.*, and Alicia Amsden, *Asia's Next Giant: South Korea's Late Industrialization*, New York: Oxford University Press, 1989.

authoritarianism or democracy- has obviously a central role in this process; in a political system where governmental elites have the power to push through unpopular policies against criticism and opposition, leaders are able not only to trim the size of the bureaucracy and restructure it, but the bureaucracy itself is relatively free from societal or political pressures to implement seemingly unpopular policies. Korea's success in this regard, however, has to be seen in the context of its relatively small geographical area and population, and the monolithic nature of the military bureaucracy which has administered development in that country since 1961. A powerful military presence has infused the bureaucracy with a disciplined, non ideological, pragmatic set of responses to the imperatives of structural adjustment.

In China, on the other hand, a highly statist ideology followed by the Communist Party since 1949, the largeness of the country, and the elaborateness of the bureaucracy has placed serious limits on administrative reforms; party officials at local levels have resisted the divestiture of power and bureaucratic structures have recreated themselves. In India too, as the case study of Gujarat revealed, statist orientations were pervasive in the middle and lower levels of the bureaucracy which remained relatively uninformed of the liberalization programme; their day to day functions frequently went against the logic of liberalization and reproduced precisely the kind of governmental hindrances, irrationalities and inefficiencies that liberalization aimed to correct.

Can bureaucracies truly change their characters? Or, how much can they change? Much of the thinking on structural adjustment in developing countries has indeed emerged from the ranks of the bureaucracy. Top level bureaucrats, technocrats who have been laterally recruited into the bureaucracy, have frequently shaped policies and have provided the intellectual rationale for liberalization. These ranks of the bureaucracy have indeed provided a critique of the state from within the state. These enclaves have acted on a combination of factors: their exposures to the international economic climate, their response to the pressures of international agencies, their own initiatives and perceptions of the need for change.

If administrative agencies can be thought of as pyramidal structures, much of the sharpness of the focus on liberalization is lost in the heaviness of structure and the routine activities in the middle and lower rungs of the bureaucracy. At the same time, these structures remain central in the implementation of liberalization policies. In countries where bureaucracies have been tuned for decades to developmental paradigms which define them as generators and guarantors of the collective good, it is entirely unpractical to introduce market oriented models of growth unaccompanied by a conceptualization of state reform. In this context it would seem that intensive and extensive socializing and educative programmes, dealing with the theory and practice of market oriented reforms, would play a crucial role in generating the necessary changes in the mind sets of bureaucracies from a statist to a market philosophy, and to a positive orientation to a new set of tasks.

Finally, structural adjustment/economic liberalization programmes need to be contextualized rather than pursued as uniform, universal policy prescriptions. Although, as has been mentioned earlier, the state's role in the growth of industrial capitalism in the west has now been established, western economic development in the nineteenth and in the first half of the twentieth centuries was to a significant extent propelled by private enterprise and powerful liberal ideologies; state ownership and state supported welfare in these countries were to a great extent a post world war II phenomenon when industrialization had already advanced. In the 1980s and 1990s when in these countries, the pendulum swung once more towards markets, governments could rely on strong historical traditions of laissez faireism and a ready vocabulary of liberalism in which to contextualize market oriented reforms.

Most Asian countries, on the contrary, have been characterized by very different historical traditions; in the case of China an elaborate bureaucracy which pervaded all levels of political life down to the remotest village had been a powerful and enduring political institution; in Korea too a paternalistic

tradition of bureaucratic authority has marked the country's political culture for many centuries. The absence of democratic institutions in the modern period has further reinforced these state-centered traditions in these societies which have historically lacked in strong individualistic social or political philosophies. In India in the political philosophies of Hindu, and later, Moghul states, the state or King was presented as divine, benign, saviour and guarantor. The colonial state only served to intensify the notion of an all powerful bureaucracy standing above society. In the post independence era democracy has been understood as political rights of the individual combined with communitarian principles of collective responsibility embodied in the state. In India, then, the state-society relationship has typically been entrenched in a paradigm of hierarchy and this was only reinforced by the socialist rhetoric which was played up in the post independence era.

In such societies market oriented reforms come up against a certain institutional vacuum. In other words, in such societies there hardly exist any institutional forces which can replace the central role that states and bureaucracies have traditionally played. This historical tradition would suggest that rather than attempting to do away with states and bureaucracies, market oriented reforms in such societies need to be balanced by continuing roles of bureaucratic structures, reoriented to a revised set of tasks, responsibilities, and attitudes to suit the shift from a state centered to a market-led developmental paradigm.